

**SOUTH CAROLINA
STATE BOARD FOR TECHNICAL
AND COMPREHENSIVE EDUCATION**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2019



Independent Accountant's Report on Applying Agreed-Upon Procedures

February 27, 2020

Members of the Board
South Carolina State Board for Technical
and Comprehensive Education
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina State Board for Technical and Comprehensive Education (the Board), on the systems, processes and behaviors related to financial activity of the Board for the fiscal year ended June 30, 2019. The Board's management is responsible for the systems, processes and behaviors related to financial activity. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment 1 either for the purpose for which the agreed-upon procedures report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the Board. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the specified parties. Management of the Board has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Errors of less than \$1,000 related to cash receipts and non-payroll cash disbursements transactions.
- Errors of less than \$1,000 related to reporting packages.

This report is intended solely for the information and use of the governing body and management of the South Carolina State Board for Technical and Comprehensive Education and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

George L. Kennedy, III, CPA
State Auditor

South Carolina Office of the State Auditor

Agreed-Upon Procedures – South Carolina State Board for Technical and Comprehensive Education (H59)

Cash Receipts/Revenues

1. Compare current year revenues at the subfund and account level from sources other than State General Fund appropriations to those of the prior year. Obtain from management an understanding of variations over \$30,000 – General Funds, \$400,000 – Earmarked Funds, \$20,000 – Restricted Funds, \$50,000 – Federal Funds and 10%.
2. Randomly select twenty-five cash receipts transactions and inspect supporting documentation to:
 - Ensure transaction amount, date, payor, document number, and account classification are properly reported in the general ledger.
 - Determine that revenues/receipts were deposited in a timely manner, in accordance with Proviso 117.1 of the Appropriation Act.
 - Ensure that both revenue collections and amounts charged are properly authorized by law.
 - Determine that receipts are recorded in the proper fiscal year.

We found no exceptions as a result of the procedures.

Cash Disbursements/Non-Payroll Expenditures

3. Compare current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtain from management an understanding of variations over \$700,000 – General Funds, \$400,000 – Earmarked Funds, \$300,000 – Restricted Funds, \$100,000 - Federal Funds and 10%.
4. Randomly select twenty-five non-payroll disbursements and inspect supporting documentation to determine:
 - Transaction is properly completed as required by Board procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by Board procedures are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the Board.
 - The transaction is properly classified in the general ledger.
 - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
 - Disbursements are recorded in the proper fiscal year.
 - Clerical accuracy / confirm proper sales/use tax.

For federally funded cash disbursements/non-payroll expenditures selected, inspect supporting documentation to determine:

- Charges are necessary and reasonable for the proper administration of the program, incurred during the approved grant period, given consistent accounting treatment and applied uniformly to both federally assisted and other activities of the recipient.

Cash Disbursements/Non-Payroll Expenditures (Continued)

5. Haphazardly select ten purchasing card transactions from the Office of the State Comptroller General (CG) listing of purchasing card transactions for Fiscal Year 2019 and inspect supporting documentation to determine:
 - The cardholder is an authorized user and individual credit limits have been properly approved in accordance with applicable policies.
 - The purchase is authorized based on the cardholder's job title/position.
 - The monthly purchase summary was submitted along with applicable receipts and signed by both the supervisor and cardholder.
 - The purchase did not exceed the single transaction limit or the individual credit limit and there was no indication of transaction splitting.
6. Inspect the Board's distribution of funding to technical colleges to determine if the distributions were performed in accordance with Board policies and procedures and State regulations.

We found no exceptions as a result of the procedures.

Payroll

7. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain from management an understanding of variations over \$700,000 – General Funds, \$400,000 – Earmarked Funds, \$100,000 - Federal Funds and 10%.
8. Compute the percentage distribution of fringe benefit expenditures by fund source and compare to the actual distribution of recorded personal service expenditures by fund source. Obtain an explanation of variations greater than 10%.
9. Compare the percentage change in personal service expenditures between the current year and prior year to the percentage change in employer contributions expenditures between the current year and prior year. Obtain an explanation of variations greater than 10%.
10. Randomly select twenty-five employee payments and inspect supporting documentation during the fiscal year to:
 - Obtain and inspect the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person is a bona fide employee of the Board.

For Salaried Employees:

- Agree gross pay to supporting documentation confirming all changes to gross salary for the year. Determine that all changes have been properly approved.

For Hourly Employees:

- Confirm the hourly rate and time sheets are properly approved; recalculate gross pay.

11. Randomly select seven employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Board's policies and procedures, that the employee's last pay check was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.

Payroll (Continued)

12. Randomly select five employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Board's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.

We found no exceptions as a result of the procedures.

Journal Entries and Transfers

13. Haphazardly select thirteen journal entries and seven transfers for the fiscal year to:
 - Trace postings to the general ledger, confirming amounts agree with supporting documentation.
 - Confirm transaction is properly approved.
 - Inspect supporting documentation to confirm the purpose of the transaction.

We found no exceptions as a result of the procedures.

Reporting Packages

14. Obtain copies of fiscal year end reporting packages submitted to the CG. Inspect the Master Reporting Package Checklist to determine the appropriate reporting packages were prepared and submitted by the due date established by the CG's Reporting Policies and Procedures Manual.
15. In addition to the procedure above, perform the following:

- Other Receivables Reporting Package

Haphazardly select five items comprising the "Adjustment to Current Balance" and determine if reported amounts are accurate based on inspection of the South Carolina Enterprise Information System (SCEIS) general ledger and / or Board prepared records.

- Prepaid Expenses Reporting Package

Determine if total amounts from the SCEIS Yearend Reporting - Prepaid Expenses report and/or Board prepared records agree to figures reported on the package. In addition, haphazardly select five prepaid expenses to determine if the amounts were properly classified, calculated and reported based on inspection of the SCEIS general ledger and invoices.

- Operating Leases Reporting Package

Agree applicable effective dates and future minimum lease payments on the Future Minimum Lease Payment Schedule to the prior year schedule. If there are any differences, determine that the lease was reported accurately and that the reported future payment amounts were properly classified, coded and calculated. Obtain copies of the leases submitted to the CG to determine if all required leases were included in the reporting package submission.

Reporting Packages (Continued)

- Accounts Payable Reporting Package

Determine if responses and reported amounts are reasonable/accurate based on the inspection of the SCEIS general ledger, SCEIS Yearend Reporting - Prior Year Payables with Vendor report and/or Board prepared records. In addition, haphazardly select five payable transactions to determine if reported amounts were properly identified, classified, and reported on the reporting package.

- Miscellaneous Loss Liabilities, Loss Contingencies, and Commitments Reporting Package

Determine if responses and amounts are reasonable/accurate based on Board supporting documentation of active projects. In addition, haphazardly select ten projects and confirm the project balance by verifying the project budget to Board approval and total expenditures through June 30, 2019 to SCEIS.

- Subsequent Events Questionnaire

Determine if responses are reasonable/accurate and any required supplemental information was properly prepared and submitted based on inspection of the SCEIS general ledger and/or Board prepared records.

We found no exceptions as a result of the procedures.

Governance, Risk and Compliance (GRC) SCEIS Module

16. Select all controls identified through the SCEIS GRC system that were in place during fiscal year 2019 and inspect mitigating control documentation. Confirm with management the controls are operating as designed.

We found no exceptions as a result of the procedures.

Capital Assets

17. Select all fiscal year 2019 capital asset acquisitions with an individual acquisition cost over \$300,000 and inspect supporting documentation, the SCEIS general ledger, and the SCEIS Asset History Sheet to determine:
 - Asset was properly posted to the SCEIS general ledger as to amount and account.
 - Asset was properly capitalized and assigned the proper useful life in accordance with the CG's Reporting Policies and Procedures Manual.
 - The procurement of the asset complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code etc.

We found no exceptions as a result of the procedures.

Appropriation Act/Laws

18. Confirm compliance with South Carolina Code of Laws 10-1-140 by observing the inventory count documentation completed by management.

Appropriation Act/Laws (Continued)

19. Confirm compliance with Proviso 117.13 by observing management's submission documentation to the State Human Affairs Commission.
20. Confirm compliance with the Board-specific state provisos by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of the procedures but, in order to comply with other provisions of State law, the Board distributed the remaining funds of proviso 25.7 through a competitive grant process instead of through a formula distribution.